

## IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE  
BRITISH TRANSPORT COMMISSION (1954 No. 3)TO CONFIRM THE  
BRITISH TRANSPORT COMMISSION  
(PASSENGER) CHARGES  
SCHEME, 1954

MONDAY, 31st MAY, 1954

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SIXTH DAY

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# PROCEEDINGS OF THE TRANSPORT TRIBUNAL

MONDAY, 31st MAY, 1954

## PRESENT:

HUBERT HULL, Esq., C.B.E. (*President*)

A. E. SEWELL, Esq.

J. C. POOLE, Esq., C.B.E., M.C.

Mr. HAROLD I. WILLIS, Q.C., Mr. E. S. FAY and Mr. KENNETH POTTER (instructed by Mr. M. H. B. Gilmour, Chief Legal Adviser to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. GEOFFREY LAWRENCE, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr) appeared on behalf of the London County Council.

Mr. DUDLEY COLLARD and Mr. MICHAEL HALLETT (instructed by Mr. E. R. Farr, Town Clerk) appeared on behalf of Barking Borough Council.

Mr. DUDLEY COLLARD and Mr. MICHAEL HALLETT (instructed by Mr. Keith Lauder, Town Clerk) appeared on behalf of Dagenham Borough Council.

Mr. DUDLEY COLLARD and Mr. MICHAEL HALLETT (instructed by Mr. J. Twinn, Town Clerk) appeared on behalf of Romford Borough Council.

Mr. DUDLEY COLLARD and Mr. MICHAEL HALLETT (instructed by Mr. A. E. Poole, Clerk of the Council) appeared on behalf of Thurrock Urban District Council.

Mr. DUDLEY COLLARD and Mr. MICHAEL HALLETT (instructed by Mr. E. R. Farr) appeared on behalf of the South Essex Traffic Advisory Committee.

Mr. GEOFFREY RIPPON and Mr. ALISTAIR DAWSON (instructed by Mr. G. A. Blakeley, Town Clerk) appeared on behalf of Walthamstow Borough Council.

Mr. GEOFFREY RIPPON and Mr. ALISTAIR DAWSON (instructed by Mr. R. H. Buckley, Town Clerk) appeared on behalf of the County Borough of East Ham.

Mr. GEOFFREY RIPPON and Mr. ALISTAIR DAWSON (instructed by Mr. K. F. B. Nicholls, Town Clerk) appeared on behalf of Ilford Borough Council.

Mr. GEOFFREY RIPPON and Mr. ALISTAIR DAWSON (instructed by Mr. G. E. Smith, Town Clerk) appeared on behalf of the County Borough of West Ham.

Mr. GEOFFREY RIPPON and Mr. ALISTAIR DAWSON (instructed by Mr. D. J. Osborne, Town Clerk) appeared on behalf of Leyton Borough Council.

Mr. GEOFFREY RIPPON and Mr. ALISTAIR DAWSON (instructed by Mr. A. McCarlie Findlay, Town Clerk) appeared on behalf of Wanstead and Woodford Borough Council.

Mr. GEOFFREY RIPPON and Mr. ALISTAIR DAWSON (instructed by Mr. J. W. Faulkner, Clerk to the Council) appeared on behalf of the Chigwell Urban District Council.

Mr. ARCHIBALD GLEN appeared on behalf of The Mayor, Aldermen and Burgesses of the County Borough of Southend-on-Sea.

Mr. F. A. RULER (President) represented the Federation of Residents' Associations in the County of Kent.

Mr. J. REID (District Secretary) represented the London (North) District Committee of the Amalgamated Engineering Union.

Mr. WISHART INGRAM WINCHESTER, recalled.

Re-examined by Mr. HAROLD WILLIS.

1893. Mr. Winchester, you remember on the last day (at about Question 1,792) questions were asked of you by my learned friend Mr. Lawrence in regard to the figures shown in the accounts in regard to the units of electricity per car mile?—Yes.

1894. And he sought to compare those figures with the figures of costs per car mile—and these are all loaded car miles, are they not?—Yes.

1895. —which are derived from the information which has been supplied to the London County Council?—Yes.

1896. And it was suggested that whereas the figures in the accounts, which are of course unit figures, show a disparity between the various regions, when we come to look at the costs of electricity per car mile derived from your figures we find that they work out at about 3½d. in all cases?—That is so, yes, apart from the London Transport trains.

1897. You have looked into this, Mr. Winchester, have you not?—Yes.

1898. And I think we can just give a few figures to show how the matter arises. This can be put in the form of a small table if you think the number of figures justifies it, Sir; perhaps we can give the figures and then you can direct me as to how you would like it dealt with. Taking the Eastern Region first, Mr. Winchester, is the section with which we are concerned Liverpool Street to Shenfield?—Yes.

1899. Have you ascertained that the units per loaded car mile in respect of that section come out at 2·88 units?—Yes, that is so.

1900. Is that precisely the same figure as that which appears in the accounts? I expect?—No, the figure I am now quoting is the 1953 figure of consumption

compared with the 1952 figure in the accounts. In addition, the figure in the accounts includes sections of line not covered, sections other than the Shenfield Line.

1901. The 3½d. figure, which was the figure of comparison, was only for the relevant section of the line. Therefore we have to make some split on this unit basis, first of all to bring it up as between the relevant sections?—Yes.

1902. Then we have to make an adjustment for the alterations since 1952?—Yes.

1903. And 2·88 units are, of course, purchased at a particular cost?—Yes, they are purchased from the British Electricity Authority.

1904. They are purchased from the British Electricity Authority, and the cost per unit is 1·23d.?—Yes.

1905. Included in that figure of cost is what is known as the running charges component and also the capital charge component?—Yes. There would be a charge for interest or profit, obviously, in that figure.

1906. In the last column you show the cost per loaded car mile?—Yes.

1907. That is the effect of providing that cost per unit to the 2·88, presumably?—Yes.

1908. And that produces a figure of 3·54d.?—Yes.

1909. London Midland Region is the second, and here again you have to split that as between the London Midland Region electric lines, with which we are not concerned, and the ones with which we are concerned?—Yes.

1910. And you have done that?—Yes.

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[Continued]

1911. Have you also again adjusted it to bring it up to "Z" year consumptions?—Yes, we have used 1953 consumption as being representative of "Z" year.

1912. And that produces a figure of units of 3.71 per loaded car mile?—Yes.

1913. How was the electricity supplied to the Midland Region for those electric services?—They generate the electricity themselves and therefore the charge made will not include interest or profit. It is confined to the running expenses and depreciation. Of course, interest is quite an important item because the capital cost of generating stations is a very high figure.

1914. And the cost per unit on that basis, Mr. Winchester, is what figure?—0.95d.

1915. And doing the same calculation that you did in the case of the Eastern Region, what does that produce as the cost per loaded car mile?—3.52d.

1916. Then Southern Region, the whole of the Southern Region, has for its units per loaded car mile a figure of 2.55d.—Yes.

1917. And London Area only?—2.80d.

1918. Cost per unit; is that purchased largely from the British Electricity Authority?—Yes. There is a small proportion manufactured in the Southern Region's own generating station, but it is mainly purchased.

1919. What is the price there?—1.36d. per unit.

1920. And the cost per loaded car mile over the whole of the Southern Region?—3.46d.; and for the London Area only it is 3.81d.

1921. That shows how the 3½d. arises when the units per car mile seem to fluctuate?—Yes. I do not know whether it might be helpful just to indicate why the units per loaded car mile would vary so much. The main reason is that the London Midland is a slow, stopping service. I think every train pretty well stops at every station, and the stations are on an average rather less than a mile apart, whereas on the Sheffield line many of the trains are fast trains. I think the fastest ones only stop about every once in seven miles and the intermediate ones once in 4 miles, and the slow, stopping ones only once in 1½ miles. It is the stopping and starting of the trains that is a very important element in the cost per mile. Equally in the Southern Region there are many trains doing long distances without stopping, even the local London trains; though, as you see from the figures I have given, the average for the whole region is a rather lower consumption per unit because there are more fast trains.

1922. 2.55d. as compared with 2.80d.—Yes.

(President): I think that had better be put in for use at the next inquiries. That will be BTC 706.

1923. (Mr. Harold Willis): So much for that point, Mr. Winchester. Now I want to ask you just a few questions in regard to London Lines' costs. We have never suggested, have we, Mr. Winchester, that a precise system for the costing of the expenses of London Lines is possible?—We have not, no.

1924. Whatever system is adopted, the question of judgment can never be eliminated altogether?—That is so.

1925. In the present methods, is there substantially more actuality than in any of the previous methods?—Yes.

1926. And is that actuality very much more London actuality?—Yes, that is so, in the case of the track and terminal costs. Whereas we previously used a whole line average we are now basing on the facts in London.

1927. And so far as judgment is concerned, where that still has to be exercised, as we agree it must, are you in fact under your present system able to operate that judgment in a narrower field?—Yes. That is so.

1928. Does that in your view assist to reduce, not to eliminate, but to reduce, a possible margin of error?—Yes, I think the extent to which misjudgment might affect the figures is substantially reduced. Whereas on a certain matter we might have said before it was correct within plus or minus 25 per cent., the same matter is now perhaps correct within plus or minus 5 per cent. That is the kind of order of the effect from narrowing the field of judgment by having more actual and local figures.

1929. Let us just bring out that point by going very shortly through the main features of the costing. The first item on BTC 703 is of course the mileage?—Yes.

1930. The judgment, as distinct from the actuality, applies only, does it, to the assessment of the proportion of the through mileage to be charged to London?—That is so.

1931. And here there is no question of a new judgment. We are accepting the judgment on this matter that was implicit in the old formula?—Yes.

1932. And I think you gave the figures, did you not, Mr. Winchester, of the proportion of the steam mileage and the electric mileage which was subject to that exercise of judgment?—Yes. The 16 per cent. of the steam miles charged and the 8 per cent. of the electric miles charged was derived from the through trains. The effect of that is that even supposing we were 10 per cent. out, that the formula gave an answer which had a margin of error of 10 per cent., that gets reduced because it only applies to a small part of the mileage, and even a 10 per cent. error would only affect the final answer of movement costs by something between £0.1m. and £0.2m.

1933. What would that have as the effect on the movement expenses?—£0.1m. or £0.2m.

(President): Those were Mr. Winchester's answers about what I may call the formula percentage questions, 248 and those following, in his examination?

1934. (Mr. Harold Willis): Yes. Mr. Winchester, so far as the estimation of each item of steam movement expenses, you have indicated how you did that and I am not proposing at this stage to go through it again in detail. But you have made estimates, have you not, for five separate sections of line?—Yes, that is so.

1935. And have they been tested by comparing them with each other?—Yes. We have looked at the results in relation to the character of the service and have said that the relationship between the ascertained costs per mile seems reasonable. Therefore that in a sense imposes a test upon each.

1936. And there is the further check which can be made if one desires to check it in this way, that when you make allowances for the increases in wages and so on, the steam cost figures compare very closely, do they not, with those used at the last Inquiry?—Yes, there is not a great deal of difference. We always have been fairly well satisfied with the pre-war formula on this particular matter, and that is borne out by these figures.

1937. And these tests, on the basis of these sections of line which you costed in the way you have indicated, do in effect confirm that the pre-war formula was not very far adrift on this matter?—That is so.

1938. In the case of the electric movement expenses, there is no question of judgment at all, is there, in regard to London Transport or the London Midland or Eastern services?—That is so.

1939. And they account for £2.2m. out of a total of £7.3m.?—That is so, yes.

1940. You have indicated that apportionments have had to be made in the case of the Southern Region, but again have the apportionments of each item been based on accurate and up-to-date statistics?—Yes, they have.

1941. Have they in fact been cross-checked in the costing exercise that has been done by a number of different people?—Yes. The assumption is made and the statistics were set out in detail, and at various levels of responsibility they have been examined both as to arithmetical accuracy and as to the reasonableness of the assumptions made.

1942. So far as the terminal staff costs are concerned, you have of course got actuality of the totals to a very large extent, have you not, Mr. Winchester?—Yes.

1943. And there has had to be an allocation between passenger operation on the one hand and non-passenger on the other?—Yes.

1944. Is that allocation very largely a question of fact?—Yes; the extent to which judgment or opinion has had to enter into that particular allocation is quite small.

1945. When you come to allocate the passenger costs between London and outside London, there is, of course, a matter of opinion?—Yes.

1946. But let me ask you this, at the suburban stations is the non-London user a large or a small one?—It is a very small part, and I may say that the non-London stations account for about 80 per cent. of the charge

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[Continued]

we are making for terminal staff costs. The suburban stations account for about 80 per cent. of the charge we are now making, and at these stations the non-London user is small. On the basis we have used to measure it, there is only about 7 per cent. of the ticket issues and less than 5 per cent. of the originating journeys which relate to the non-London passengers. Even if we were wildly out in our assumption that the cost is not as much as for the London passenger, it could not have a very appreciable effect. Suppose we said that the non-Londoners should be charged half as much again as Londoners for staff costs, the effect would only be to reduce the cost to London by £0.1m.

1947. (President): How do you define London and non-London?—The London passenger makes a journey wholly within the London area; the non-London passenger is the one starting outside London and coming in, or starting inside and going out.

1948. You started saying, in answer to Mr. Lawrence, I think, that the tickets issued at the suburban stations in 1953 were 150 million to local passengers. Did you mean London?—Yes, passengers local to London.

1949. And 10 million to non-London passengers?—Yes.

1950. (Mr. Willis): At the London termini, which accounts for the remaining 20 per cent. of the charge to London, is the calculation, for the reasons you have explained, to a very great extent factual?—Yes.

1951. Because there is a split at the station between the suburban booking office, for instance, and the non-suburban booking office?—Yes, that is so.

1952. When we come to the charge for maintenance and renewal of station buildings, again do you start from ascertained figures from over one-quarter of the stations in the London area?—Yes.

1953. As you have explained in your evidence-in-chief, after reducing the total for various buildings with which we are not concerned, are you satisfied that the discounts that have been made are such as to be reasonable in the circumstances?—Yes. We have in this case, because there is an element of doubt, erred on the side of under-charging rather than over-charging London.

1954. (President): You mean your figure is £1,250 per station and you have said you thought it is a bit low.—It seems a bit low; on the other hand, it is a figure not so well supported as some of the others and therefore I thought it right to err on the safe side.

1955. (Mr. Harold Willis): So far as track and signalling costs apply to the Southern Region, they are based, are they not, on 1953 actual costs for large and representative samples?—Yes.

1956. The question of the taking of samples is not something which you have done, is it, Mr. Winchester?—No. It has been discussed with the technical people, with the people responsible for the maintenance of the track and the people responsible for the maintenance of the signalling; it is on their assurance that these are representative that we have adopted them in the way we have.

1957. These are the sort of things with which they are dealing in their normal way of business constantly?—Yes, constantly.

1958. Questions of whether this is typical and that is typical?—Yes, they are certainly in a position to form a judgment on that.

1959. Have they also considered the question as to whether the 1950 expenditure is a fair basis?—Yes. Some of the expenditure of course is very much the same from one year to another, but certain kinds of expenditure can be larger or smaller in a particular year. We asked them, and they were satisfied that they were doing a reasonable average amount of work in 1953. That is a matter, of course, which as accountants we also were able to check to some extent.

1960. Do you claim therefore, Mr. Winchester, so far as the track and signalling costs for the Southern Region London Area as a whole is concerned, that there is not really very much room for error in your assessment?—That is so, I believe.

1961. The total costs have then to be apportioned—  
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(President): Before you go to that, we are now talking about track costs?

(Mr. Harold Willis): Track and signalling.

(President): Of course there must be an element of judgment in arriving at the weight of passengers, must there not?

1962. (Mr. Harold Willis): I am coming to that in the next few questions. At the moment we are dealing only with the total, the total costs in the London Area Southern Region.—Yes.

1963. That has been ascertained in the way you have said, and you have told the Tribunal that so far as that total is concerned, there is not very much room for error.—Yes.

1964. Then we have to apportion that total between London passengers on the one hand and the non-London passengers, parcels and freight, on the other?—Yes.

1965. Is the formula that you have used ton miles?—It is ton miles so far as track is concerned; it is train miles for signalling.

1966. Does that formula (taking the track first) of applying ton miles tend, if anything, to favour the London passenger element?—There are many arguments both ways. I would not like to give a firm opinion on that; but I would perhaps just mention one point to which Mr. Sewell drew attention, the more exacting demands of passenger operation as compared with the demands of freight operation.

1967. Some other check can be made, can it not, on these lines by considering the proportion of the non-passenger element of the costs?—Yes. This is so preponderantly a suburban passenger area that the proportion that has to be charged off to non-passenger first of all and secondly to through-passengers is comparatively small and therefore some margin of error in the formula—in the judgment of the formula—will not have any very great effect on the large remaining portion which must lie with the local passenger.

1968. Can you give the percentages: what is the non-passenger proportion?—The non-passenger proportion of the track costs is 15 per cent. on the basis used of ton miles, and signalling is 8 per cent. based on train miles; while the non-London passenger proportions are 20 per cent. for track based on ton miles, and 15 per cent. for signalling based on train miles. That means that left with the London passengers is 65 per cent. of track and 77 per cent., I think, of the signalling.

1969. Does it appear to you that, costing it on that basis so far as the Southern Region London Area is concerned, you arrive at a figure which cannot be very far off the mark as from being the right figure?—I should have thought so, yes.

1970. Of course we know, so far as the other regions are concerned, that your costings have not proceeded far enough to enable you to give comparable figures for that on this new basis.—We are getting the figures in for the Eastern.

1971. They are coming in?—Yes.

1972. But for the moment, you have put forward for the purposes of your evidence so far, have you not, the figures based on the old formula of 25 per cent?—Yes.

1973. (President): Mr. Winchester, would you mind preparing another document, which I hope will be the last? Would you mind preparing a document for working expenses of London Lines, and would you divide under each of the headings the Southern from the rest—I know the figures are in the transcript, and I have worked them out myself, but I am very likely wrong—that is to say, both for vehicle movement and three classes of terminals.—Yes, I have not it available, but I will hand in a table.

1974. No doubt, if the other persons in the room have worked it out but are doubtful of its accuracy, you would let them have a copy too. Were you concerned in drawing up the document called "Some notes on traffic costing" which appeared in 1951?—No; I do not think I had any responsibility for that. I think Sir Reginald Wilson either drew it up or was responsible for its form. I am familiar with it, however.

1975. I see paragraph 10 on those notes contains some cost characteristics of ten separate road undertakings from different areas?—Yes.



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[Continued]

1976. Those presumably would be based on figures collected in 1950 or over 1950 and 1951, would they not?—Yes; I think they probably relate to 1951.

1977. In the last paragraph, at page 31, the first, indeed the only, sentence runs like this: "It is therefore only possible to see clearly that the London Passenger Area, i.e. London Transport and the suburban services of the main lines, made an insufficient contribution in relation to the costs of these services in 1951".—Yes.

1978. You yourself are not prepared to answer any questions about the method in which that opinion on costs of those services was arrived at for the purposes of these notes?—I could possibly endeavour to answer the question but I was not responsible for the words.

1979. Will you try then to answer the question a little. What material was there collected by 1951?—There was the fact that in 1951 London Transport, taken by itself, not only made no contribution—

1980. I do not think we need bother about London Transport because we have account figures for that.—Then, working on the documents we have submitted to the Tribunal in relation to London lines, it was not reasonable to expect that they could be so far away from reasonable fact as to make good the very large deficit for London Transport and so produce a surplus for London lines. You would have to have £5m. on—

1981. (President): London Lines were obviously losing, using that word in the loose sense, so much.—Even if they were making a small profit, it was quite disproportionate to the large loss of London Transport.

1982. It was merely an inference; you knew what London Transport alone were doing and it was impossible to suppose on any basis that London Lines was doing so much better as to offset that London Transport insufficiency?—Yes.

1983. In other words, that opinion was not based on any actual costing at that date of the suburban services of main lines?—No. There were no figures available then other than the ones that were given to you.

(The Witness withdrew.)

(Mr. Harold Willis): You will recall, Sir, that unfortunately Sir Reginald Wilson is not available today to follow Mr. Winchester for cross-examination; I have therefore only one matter I wish to put before the Tribunal. You will remember, Sir, that at Question 910 on the Third Day, my learned friend Mr. Lawrence put some figures in regard to the fall in the traffic on the London, Tilbury and Southend line, the suggestion being that that was due to the increase in fares. The matter has been looked into and we have supplied my learned friend's clients with an explanation of the matter. I think it would be right that that explanation should be handed in so that it can become part of the record.

(President): This was referred to on Day 5, was it not?

(Mr. Harold Willis): The Third Day, Sir; I do not think it came up again so far as I recollect on the Fifth Day.

(President): I am quite certain it did either on the Fifth or the Fourth because you indicated that it contained an explanation and Mr. Lawrence indicated that he had another explanation.

(Mr. Harold Willis): It did not arise to produce any finality on any subsequent day.

(President): It is the top of page 124. You say—

(Mr. Harold Willis): Yes, that is quite right. I said that we could give it in the form of a written statement and we have done that. My learned friend, I think, is quite satisfied it should be done in this way. He can of course comment fully on the matter when his turn comes, but he did not desire that Mr. Valentine should be recalled, so he told me, for this purpose.

(President): This should be given a number. It will be BTC 707.

(Mr. Harold Willis): You see, Sir, that little (a) on the document indicates clearly that what appeared to be a very large reduction has come about.

1984. The other thing which puzzled me, because I was not engaged in or in any way concerned with the 1950 Inquiry, was that Mr. Lawrence put it to you that at that Inquiry the method by which London Lines working expenses was calculated was to take vehicle movement and add 83 per cent.—Yes.

1985. And you said "Yes" to that.—Yes.

1986. I have not looked at it, but is that right?—I think it appears on the face of RHW 4.

1987. I think it is RHW 3.—Yes.

1988. I am only asking you because in a subsequent answer to question 1684 you seem to be qualifying the statement that the basic figure was vehicle movement in the same sense in which we are using it today.—Yes; my recollection—I am afraid I have not confirmed it since—is that what we call "expenses of train operation and maintenance" in RHW 3 are precisely the elements of costs covered by the pre-war London formula of operating allowances. At the next Inquiry we slightly adjusted the content of that item to bring it into line with what we now call movement costs. One difference was that movement costs included cost of electric equipment, whereas this item did not. I think the average addition was something of the order of 7 per cent. for electric and 2½ per cent. for steam. If you like, I will confirm those figures.

1989. No, I do not want that. But if the suggestion put to you in Question 1676 to which you assented was a true comparison with the present figures one would be able to arrive roughly at present working expenses by adding 83 per cent. to the present ascertained vehicle movement, but that in fact would be unfair to the Objectors?—It would be.

1990. Mr. Lawrence is putting it too high against himself.—I can find out how far that would be unfair if that would be of assistance to you.

1991. No, I think we have enough alternative approaches to this problem now. I had done some arithmetic myself on Question 1676, and then reading that Question, it appeared to me that would not be a true comparison, the vehicle movement costs in the one not being exactly the same costs as in the latter formula.—Yes.

(President): I see the argument. Subject to Sir Reginald Wilson's evidence—

(Mr. Harold Willis): That is the case for the British Transport Commission, Sir.

(Mr. Geoffrey Lawrence): As I said on Friday, Sir, I was not intending to inflict two speeches upon the Tribunal, but it might perhaps be convenient, before I call my first witness at, in a very few short sentences, I indicated the broad points to which my evidence and later submissions will be directed.

The first proposition to which the evidence and submissions will be directed, is that the budget figure of £5.3m. which the Commission say they require to get, is an excessive figure, and that in fact they really do not need anything like so much. That proposition will involve investigating, by evidence and tables, the alleged downward trend and certain other associated matters; it will also involve a submission—and I think, maybe, a little evidence—on this debated question of the working expenses of London Lines.

The second main limb of my case will be to draw attention, mostly in the form of tables based upon the figures from the Commission themselves, to the increasing effects of discounts of yield which the Commission are being forced to adopt as they move from one stage in this matter to another, year by year, with a submission that they have already reached, or are very near to reaching, the danger point of passenger resistance. That will involve a submission that their discounts are inadequate, and that they will not in fact, if this Scheme is approved, realise the expected yield from the increased fares, even with the discounts which they have allowed for.

From there I shall pass, I hope briefly, but necessarily, to the broad question of policy. If I am right about the second part of my case, it would appear that this process cannot go on. It is said that this is a stop-gap scheme. The time would therefore appear to be ripe for

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[Continued]

a change of policy, and I will make a few submissions with regard to that—the policy in London compared with the policy outside London.

That is the broad framework of my case, Sir. The witnesses whom I shall call will be three. I shall call Mr. Hill, the accountant, to deal with the financial aspect of the matter by means of various tables and his opinion upon certain topics. Secondly I shall call Mr. Lambert, who will deal with the matter more from a traffic point of view, particularly in relation to experiences outside London in the Provinces, both as to fares and costs. Finally I shall call Mr. Carslake of the Rating and Statistical Branch of the London County Council, who will be in a position, I hope, to put before the Tribunal a series of illustrative tables of the application outside London of a policy with regard to passenger traffic, which appears to be the opposite of that being pursued by the Commission in relation to London. He may also, by means of certain tables, be able to underline

certain points made by Mr. Hill in regard to passenger resistance to higher fares in London, but I do not desire that there should be over-duplication in that sense.

I hope it will not be unhelpful to you to have had these few short remarks in opening my case; I do not intend to elaborate on them at this stage.

(President): Have we all the documents now Mr. Lawrence?

(Mr. Geoffrey Lawrence): No, I am afraid you have not all of them, Sir, but I think you have the bulk of them. I shall be putting in, with your leave, a few additional ones this morning which have been based, I think, upon certain material which has emerged during the course of the preceding week, but the additions will be small. I think the main bulk of them have already been deposited.

I will begin first of all with Mr. Hill.

Mr. STANLEY WILLIAM HILL, SWOTI.

Examined by Mr. GEOFFREY LAWRENCE.

1992. Mr. Stanley William Hill, you need no introduction to this Tribunal as an expert financial witness, but for the purposes of the record may I shortly ask you: Are you a partner in the firm of Arthur Collins & Company?—Yes.

1993. Are you practising in Westminster as financial adviser and consultant and are you accountant to local authorities, utility undertakings and so forth, in which profession you have had some 18 years' experience?—Yes.

1994. In the course of that experience, have you advised some hundreds of local and public authorities and public utility undertakings in all matters, including their financial and accounting affairs?—Yes.

1995. Are you a Member of the Municipal Treasurers and Accountants (Incorporated)?—Yes.

1996. As we all know, you have from time to time appeared as an expert witness on a great number of occasions at Parliamentary Committees and other Tribunals?—That is so.

1997. Have you had some particular experience in advising public transport undertakings on the financial aspects of their operations?—Yes.

1998. Have you given evidence in Fares Inquiries, not only into the Schemes which were before this Tribunal in 1950, 1951 and 1953, but in the course of applications made outside London to the Provincial authorities?—Yes, frequently.

1999. I think I can take the very early part of this quite shortly: It has been agreed by Mr. Valentine, I think, that the basis of this Application is the alleged need, by the Commission, for an increase in the balance of their net receipts?—Yes.

2000. Is it consequential on an alleged fall in income since "Y" year, and an increase in expenses?—That is so.

2001. The total worsening of the position since their "Y" year estimates is said to be a figure of £3.8m.—On London Transport Executive, yes.

2002. The figure is made up of £1.9m., which is a net increase in their expenses?—Yes.

2003. And £0.1m., increase in contribution to the Central Charges over and above the £5.4m. determined as a reasonable figure at the last Inquiry by the Tribunal?—Yes.

2004. There is a decrease in commercial advertising of a similar amount, and finally there is a decline of £1.7m. in the volume of traffic compared with the "Y" year estimates?—Yes, that is quite right.

2005. Will the first part of your evidence be largely directed towards challenging the necessity for deflating their "Z" year estimate by any similar figure?—Yes.

2006. So far as the working expense increase of £1.9m. is concerned, I think you have no observation or criticism to offer on that?—No, quite obviously I cannot. The increase appears to accord, as far as an outsider can check, with the known Wages Award, and I found it quite impossible to apply any other check than that

because one has not the details of their figures; one would have to get a vast amount of detail. I am quite prepared to accept that figure, of course.

2007. Nor, as I have already indicated in the course of my questions, do we challenge the allocation of £5.5m. for the London Transport contribution to Central Charges on the basis that one is not going to re-open the issue of last year which resulted in the Tribunal's decision that £5.4m. was a reasonable figure.—That is so, but of course on every one of these figures one starts from the Memorandum of the Tribunal last time, and so far as I can test, an addition of £0.1m. on to the £5.4m. cannot be far wrong in the overall increase in the total Central Charges.

2008. That of course is always on the basis, is it not, that the London fare-paying public are to be required to make a due contribution to Central Charges?—Yes, quite. When one looks at the railway side, they alone, amongst the passengers on the railways, do make such contribution.

2009. But that is a matter into which we will look a little more closely later on?—Yes.

2010. So that of the figures you mentioned, the £1.7m. for the estimated decline in traffic, is the first figure about which you desire to give some evidence?—Yes, definitely.

2011. I think I have this position clear from the Commission's witness that that £1.7m. alleged decline is a net figure, after an allowance made for augmentation and development?—That is quite so.

2012. Can we put the figures together neatly on the record at this stage in this way: The figure for augmentation and development was £0.248m., so that the amount which has been taken into account in estimating the "Z" Year estimates for the alleged decline in traffic is the addition of £1.7m. and £0.248m.—Yes, that is so. The £1.7m. is the difference between the "Y" and "Z" years but after bringing in, by way of a credit to "Z" Year this allowance for excess augmentation and development of £0.248m. Therefore taking that factor out for a moment and just putting it aside, the amount allowed for decline is the addition of £1.7m. and £0.248m. making a total of £1.948m. which is very little short of the £2m.

2013. (President): The addition to what, Mr. Hill? The addition to the "Y" Year estimate or to the 1953 actual?—The addition to the 1953 actual, Sir. There is of course a slight difference between "Y" Year and 1953 so far as augmentation and development is concerned, although the calculation was put forward by the Transport Commission and proceeded with on the slightly erroneous basis that "Y" Year and 1953 can be taken, for passenger receipt purposes, as the same year.

2014. (Mr. Geoffrey Lawrence): Have you been able, from that gross figure of £1.948m., to derive any component parts in respect of periods of trend?—Yes, one particular figure has been given by the British Transport Commission, that the specific allowance for an alleged

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continuation of a downward trend is £6667m. Therefore by inference, the amount which is allowed for an alleged decline, which was supposed to have already taken place—

2015. By what time?—By the end of December, 1953—is £1281m. subject always to the little plus or minus there may be—I think it must be a minus—of the difference in quantity of the receipts, assuming from augmentation in “Y” Year as distinct from 1953 there is always a little difference, it makes it quite impossible to express that figure of £1281m. absolutely precisely. But if one takes it on the basis put forward by the Commission, namely in terms of passenger receipts, “Y” Year and 1953 were, to all intents and purposes, the same thing, and that sum automatically gets removed.

2016. On this topic you are aware, are you not, of the extracts from BTC 5, to which I referred Mr. Valentine in my cross-examination of him, that being a document which was put before the Tribunal by the Commission on the last occasion in 1953?—Yes.

2017. In which it was stated: “Since the summer of 1952, however, the traffic as a whole has not exhibited any significant trend either upwards or downwards, and in present circumstances the Commission see no adequate reason for predicting a material change in the general level of traffic from the level prevailing during September, October and November, 1952 . . .”—That was made very clear at the previous Inquiry. It was the opinion of Mr. Valentine that the latter months of 1952, excluding December, which was characterised by a specially heavy fog, were a reliable basis to forecast “Y” Year; that there had been no noticeable movement of trend upwards or downwards during the latter months of 1952. I think the expression “that round about the middle of 1952 something like stability had been apparent” was used. The latter months of 1952 formed, then, the basis for the Commission’s estimates, both for “Y” Year and, for their internal purposes, for 1953.

2018. It is now suggested, I understand, that a downward trend became apparent in the early part of 1953, and therefore their deflation of their “Z” year estimates for earnings is a consequence of accepting the fact of that downward trend.—Absolutely. It proceeds, first of all, on the assumption that there was no apparent downward trend in 1952, but that it all happened very suddenly in the first few weeks of 1953.

2019. It is perfectly true, and we shall recollect it, that at the Inquiry in 1953 we were shown figures for the first few months of 1953 that had elapsed up to the time of the Inquiry, which did show a fall in receipts.—That is quite so; it was reported to the Tribunal at the time, but the opinion was then expressed, on behalf of the Commission, that it was due to exceptionally bad weather, and to a rather more marked reaction than usual after the Christmas spending.

2020. Yes; you will remember I asked Mr. Valentine about his answers, but I just wanted to see whether you would share his view. This is just a short extract of what he said: “I am personally not at all shaken in the validity of our estimates for the year”—that would be the “Y” year estimates—“and also the initial figures for 1953.”—Yes, except for a small difference they were the same.

2021. It is a common experience to get a short spell of six to eight weeks in which your receipts run considerably below your expectations, without turning out to be the beginning of any significant change?—Yes.

2022. Would you expect that?—I am sure it is true of all passenger transport undertakings; one meets it from time to time regarding some decrease or increase which is not readily apparent, but it is not necessarily the pointer to a trend. Of course I entirely agree with the interpretation put on those figures at that time by Mr. Valentine, and I think it is rather important when we see later it happens to be that somewhat unusual loss in those bad weeks of the year, which accounts, in very large measure, for the deduction which the Commission make, that there is a downward trend.

2023. (President): It was eight weeks, was it not?—Yes.

2024. (Mr. Geoffrey Lawrence): Further in support of their proposition that there is and has been a downward trend, they make the calculations that formed the subject of debate and which are set out in paragraph 5 of BTC 8?—Yes, that is so.

2025. I want to ask you if you would deal with those as far as you think proper and helpful.—This is an exercise involving bringing into comparison the actual results in the two parts of the year 1953, namely, the part before the fares were increased—that is, up to the 15th August—and the second part, which is from the 16th August to the end of the year, bringing those actual receipts into comparison with the Transport Commission’s internal budget of what they had hoped to receive. It is not in any way a comparison with, say, 1952, or any other particular actual receipts; it is just a comparison of what they got compared with what they thought they might get if spread over the whole year on the basis of a rather complicated formula.

It proceeds first of all on the acceptance of the proposition that 1953 and “Y” year were one and the same period; they were not, of course, because “Y” year was defined as beginning somewhere about the middle of 1953. There is not a great deal of difference in that, except that throughout 1953 and throughout “Y” year there was this augmentation and development going on, and therefore there must be some little difference between 1953 and “Y” year, because obviously augmentation progressively increases. That is a comparatively small matter.

The next feature is this deduction that there has been a decline of the order of 1·21 per cent. I sought from the Commission the basis of their internal Budget which they make the yardstick for the purpose of this comparison, and we were finally able to obtain from Mr. James in the witness box the explanation of how this internal budget is built up. I do not need to repeat it, except to say that he said that it was based primarily on the experience of 1952, of work done on the basis of car miles with appropriate adjustments for public functions and the like. That is the yardstick which is produced for the purpose of measuring any surplus or deficiency of actual receipts.

Nineteen hundred and fifty-two itself was a year in which, on the 2nd March, occurred the largest increase in fares that I suppose has ever taken place since the war, followed, at the end of August, 1952, by the reinstatement—or at least the reduction—of fares, following upon Government intervention. In other words, 1952 was a fairly shaky sort of base. It therefore appears—and the figures which I produce I think confirm it—that the yardstick was not likely to be a particularly accurate one; it was probably as accurate as could be made, but clearly there was bound to be a margin of error in it.

2026. (President): Either way?—Yes, of course, Sir. We have been provided with the figures of passenger receipts, both in terms of the London Transport Executive internal budget for 1953, and the actual figures for 1953 week by week over that year. A study of those figures leads one to the view, I submit, that there is no evidence of a basic decline having taken place in the early part of the year 1953 at all; that the receipts did not come up to expectations there is no doubt; that they might have fallen short for one or more reasons is of course a possibility, but it is no evidence of basic decline. I think if I may suggest it, having said that, I should have leave to bring that table in in a moment.

2027. Have you yourself passed on to an independent test of this question of alleged decline in traffic by looking at the evidence provided by the figures of passenger journeys?—Yes, that is an independent test, but one knows that all these tests have their limitations.

2028. If there has been any real declining trend in fares, would you expect it to be reflected in the figures for passenger journeys, or not?—I think that cannot really be gainsaid. One knows that with passenger journeys one can still have the same number of passenger journeys even if people start travelling short of their destination and walking part of the distance, but that is a situation which I have never heard it suggested would apply, except in the impact of a fares increase.

If one therefore sees no evidence of a decline in passenger journeys, except at the point of fares increase, that is a fairly reliable indication—but not a conclusive one—that there is no general downward trend of that kind at work.

2029. You have looked at these figures of passenger journeys and prepared Table LCC 201 in order to see what picture is presented by this approach to the matter?—Yes.



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2030. Then may we look at that table, and I will get you to explain it.

(President): It is printed on page 62 of the Third Day.

2031. (Mr. Geoffrey Lawrence): Yes, Sir. To the Witness: It is headed: "Comparison 1953 with 1952 (after appropriate adjustments for March, 1952, fares increase)".—Yes.

2032. Have you taken first of all in column 2, each of the numbers of passenger journeys from the 1951 four-weekly periods?—Yes. 1951 is needed only so that it gives you the basis of your correction to the early months of 1952; it is an approximate correction.

2033. That is what I want you to explain, because the figures for 1952 are shown in column 3, and it is to that column that you have made your adjustment?—Yes. The 1952 figures are, of course, affected by the fact that on the 2nd March, 1952, the large fares increase took effect, and that had a particularly marked effect on passenger journeys—there was a considerable fall-off in the volume of traffic after that increase took place.

Therefore, in bringing into comparison 1952 with 1953, one has to make some adjustment to the opening months of 1952, because they reflect the position that obtained before the fares increase of March took place. If one looks at the 1952 figures, comparing them with 1951 for periods 4 to 9, first of all one sees that after the March, 1952, fares increase there was a decline in the number of passenger journeys represented by the percentages shown in column 4.

In the latter part of 1952, of course, some of the fares increases had been modified, and one sees those differences—6.5 per cent., 3.9 per cent. and 6.3 per cent. The December figure is the exceptional one, having regard to the fog, which makes it impossible to compare it at all; but I have added in the 12 million journeys just for the purpose of record, which accords with the estimate given by the British Transport Commission at the 1953 inquiry, of exceptional loss of receipts due to that fact. Nothing really turns on that, however; it is only for completion.

2034. I see at the bottom of the left-hand part of the Table: "Per cent. decline consequent on fares increase March, 1952"; you have taken that at 6 per cent.?—Yes. It is 6 per cent. as a matter of mathematics, but one has to keep in mind that the 1951 summer figures with which they are being compared, was the period of the Festival of Britain, and one also has to keep in mind that there might have been some small effect on passenger journeys because of the modification of the increases that took effect at the end of September. Therefore, I have looked both to the whole, which was 6 per cent., and to the latter months, which are free of the Festival of Britain complication, and which record the position after the effects of Government intervention. I have said that the decline can be more safely taken at about 5½ per cent. instead of 6 per cent. It does not really matter very much whether one takes it at 5 per cent., 4 per cent. or 4½ per cent. for the purpose just of the adjustment I have had to make, but the purpose of that adjustment is to provide a new figure for the first three months of 1952, to bring it into comparison with 1953, and it is done by applying a deduction of 5½ per cent. to the basic figures of 1951. So, in other words, as near as no matter, the 1952 figures over the whole of these periods are about 5½ per cent. to 6 per cent. less than the 1951 figures, which the experience of the fares increase in March, 1952, did appear to confirm.

(Mr. Harold Willis): That is not what you put to Mr. Valentine, Mr. Lawrence.

(Mr. Geoffrey Lawrence): I am very sorry if I did not.

(Mr. Harold Willis): It was put quite clearly that you applied the 5½ per cent. to the figures in column 3, whereas in fact you applied them, or so Mr. Hill is now saying, to the figures in column 2.

(Mr. Geoffrey Lawrence): If I said column 3, I am very sorry.

(Mr. Harold Willis): If you look at the transcript, you will find that it is quite clear.

(President): We all understood that; in fact, Mr. Poole pointed out that there was obviously something wrong

with the arithmetic of the deduction of 5½ per cent. from the 1952 figures, and you said you would look into it, Mr. Lawrence.

2035. (Mr. Geoffrey Lawrence): I do not dispute that I said they were applied to column 3; I apologise if I did, and for confusing my learned friend and Mr. Valentine about that. (To the Witness): It is obviously column 2, is it not?—Yes, I think it is. The Table had been deposited then, although I was not in Court myself at the time.

2036. At any rate, the object of the exercise could not be achieved if the column 3 figures were the figures to which the percentage was applied?—No.

(President): I am quite certain, Mr. Lawrence, that you want to make it clear as you go along.

(Mr. Geoffrey Lawrence): Of course I do, Sir.

(President): Why must the percentage for whatever may be the right figure per cent., be applied to 1951, and why can it not be applied to the 1952 figure? The 1952 figures are the actuals at a time when the fares increases were not operative, because they did not become operative until March; one must, of course, reduce them, but is it not better to reduce from the actual of the year you are seeking to bring into balance, rather than to reduce it from the year before that?

(Mr. Geoffrey Lawrence): I wonder if I might ask the Witness to answer that question, Sir? It is his table.

(Witness): It can be done, but I think statistically the other one is the more correct, because the whole of this 5½ per cent. is a comparison of 1952 in relation to 1951, and therefore, if you are adjusting for the first months, do it on 1951 consistently throughout that. But I grant that you could take it on 1952.

2037. (President): All you are seeking at the end of this table is to compare 1953 with 1952?—Yes.

2038. And you are seeking in these columns 4 and 5 to get an adjusted 1952?—Yes.

2039. In order that you may make your comparison with a real 1953?—Yes.

(President): Now we know how the arithmetic is arrived at.

2040. (Mr. Geoffrey Lawrence): So that I do not confuse anybody any further, your figures in column 4 of percentage decline per 4-weekly period represent the percentage decline of column 3 over column 2?—That is so.

2041. That is 1952 over 1951; and your 5½ per cent., if I have understood this aright, is the figure which you have arrived at by looking at the whole of the percentages in column 4 and taking into account the Festival of Britain to apply, so as to reach in the first three periods of 1952 a total which you could plot, with the rest of the figures in column 3, with the figures in column 6?—Yes. If one takes these first three periods together—and at this time of the year and in every year, there are most marked variations, particularly in February—one achieves the same result, or approximately the same result, for lines 1, 2 and 3 together, but not in lines 1, 2 and 3 separately, even if one did apply that percentage to 1952 instead of to 1951; but I think the 1951 is the more accurate way to do it.

2042. (President): The period ending February is by a considerable degree the worst part of the year, is it not?—Yes, Sir.

2043. I was looking at the actual figures for 1953, the second period.—Yes; it is well down.

2044. It is very low.—Yes.

2045. (Mr. Geoffrey Lawrence) (To the Witness): I am sorry that I misrepresented to Mr. Valentine what you had done in your table—it was entirely my fault; but as you have explained it now, does it mean that it is possible to plot the 1953 figure period by period with the experience of 1952, adjusted as you have spoken of?—Yes; always keeping in mind that a comparison of one period with another by itself does not mean very much—it turns on weather and that kind of thing, but if one can do it over three or four periods, and the more you can do it the better—

2046. May I ask you this, and see whether you agree: One of the difficulties that we have been contending with throughout these inquiries, and at almost every stage of

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them, is that time never elapses so that there is any really representative period before alterations occur?—Yes, with the possible exception of between 1951 and 1953; one did at that time get something over 12 months' experience, and one can follow it a little, although it was characterised by that special feature of the Festival of Britain. But even then, it was particularly difficult to see how the previous Scheme had worked out.

2047. Subject to that, let us see what the position is as shown in the last two columns. Consistently through to period 8 in the year 1953, do we show an increase of passenger journeys over those of the previous year?—Yes.

2048. With a particularly high figure in period 6?—Yes, which, of course, is Coronation.

2049. Then, when the full effect of the August fares increase was in operation, do we see a completely different picture until period 13?—That is quite so, yes. One sees there the comparatively sharp effect of the fares increase on the volume of travel, particularly for periods 10 and 11, where no doubt the initial impact was rather stronger than the subsequent impact.

2050. Then in period 13 the minus turned into a plus?—Yes. There again the basic figure is the troublesome one, which contained the fog of December, 1952, so I do not think that plus of 1,073,000—no one can really say what the significance of that is, because you are comparing it with a basic figure which had to have an arbitrary adjustment to it to deal with the fog.

If one looks to the opening period in 1954—those are the figures at the end of cols. 6, 7 and 8—one sees that with the exception again of February, which seems to go all over the place, the number of passenger journeys falls short of what they were in the corresponding periods of 1953 (that is to say before the last fares increase) by 7,492,000, in the first four weeks in January. The big February figure goes up largely, I think, because the 1953 figure was so low—it was an exceptionally low figure in February, 1953—and then we come again to March, and there is a decrease in March, 1953, of about five million journeys.

2051. Interpreting the statistical picture there, what do you say on the subject of this alleged trend?—There is certainly no indication from those figures—figures of passenger journeys—at all that there was a downward trend there; even if one made different types of adjustments to the opening figures for the first three periods, one is still faced with the fact that the passenger journeys in periods 4 to 9 (excluding if one likes, period 6, the Coronation period) are above those of 1952. It is fairly evident that if a decline of 1·2 per cent. or more, according to the Commission's forecast, had taken place, it would have reflected itself in some way in the passenger journey figures.

2052. But there is evidence, is there not, of the event which did cause the minus figures in the last column?—Yes; they are very noticeable, of course, and I think that if these figures are taken as an indication of the position in 1953, one would see that there was no evidence of a trend apparent—certainly not expressing itself in passenger journeys. There was evidence only of an event, namely, the fares increase.

2053. And, I suppose, the consequence of that event upon the travelling public?—That is so.

2054. And their reaction to it?—Yes.

2055. It follows—it is a matter, of course, which the Tribunal will decide—that if the Commission are mistaken in making an allowance in their "Z" year estimates for a continuation of downward trend, it means that those estimates are under-estimated by £0·667m.?—Yes—that, and probably more, which I will explain later.

2056. We start, at any rate, with a figure of about £0·7m.?—That is so. This, be it noted, is the alleged trend which although it seems to be attributed to the influence of motoring and television, nevertheless was said not to have happened by the end of 1952, but appears to be based on the exceptionally low receipts in the first few months of 1953, despite the fact that at the previous hearing those exceptionally low results of 1953 were given no specific significance.

2057. You said that if we are right about this matter of downward trend, it would not mean merely that the

"Z" year estimates had been under-estimated by £0·667m., but probably by more?—Yes, it could be more.

2058. In what ways could the under-estimation be swollen?—First of all, although it is probably not a conclusively proved fact, but it is a very widely accepted one, and I know that Mr. Valentine has ascribed to it before this Court and on previous occasions—that the reaction to fares increases is sharpest initially. If the deficiency in 1953 compared with the budget is partly due to the initial reaction in the latter months to the fares increase, and if it is reasonable to expect that that does recover itself in course of time—or partly recover itself in course of time—then there will be an additional figure which will have to be added in to the BTC estimate for "Z" year, because, as I shall be able to show later, they have not paid any regard to that fact at all.

Another fact is this: If one turns again to the calculation in paragraph 5 of BTC 8, on which the whole of this alleged trend evidence depends, and if one looks to the lower section after the fares increase, one gets this calculation. First of all it starts with the London Transport Executive budgetary figure for the latter period, but based on the old fares. That figure, of course, is subject to all the same risks as its complement; but the point I want to stress is that there is added to that the estimated yield in the last four and a half months of the year from the fares increase of 1953, the apportioned part for the latter part of the year.

Against that table that is produced, there is then brought out the actual receipts for the period, and they purport to show that there was a decline in those latter months, of £450,000, which is a percentage of 1·66. Even accepting just for the moment that the first part of that table was correct, that there had been a decline in the opening months, of 1·21, the only inference that one can make is that the 1·66 per cent. had emerged in the latter months, because the fares increase did not produce in those months what had been expected of it.

So one gets into this sort of calculation; one starts off with that assumption, that the fares increases were due to produce £1,685,000 in that period; yet at the end of the calculation the only inference that you can make is that they did not. If that be the case, it could possibly be because of the initial reaction being more than the discounts that Mr. Valentine put forward.

Secondly, there is the fact that it takes a considerable period for the fares increases to achieve their full effect. There is, for instance, always a time lag on season tickets, which needs some further weighting. Therefore, there might be an amount, probably quite incapable of being calculated, arising from the fact that people were able up to the last day to renew their season tickets at the old fares, just before the new ones came into effect; that will work itself out in the course of time. I am not in a position to estimate that, and I do not think the Commission are, but it is a known fact that people did renew their season tickets at the old fares, which did carry them well on into the period covered by the 1953 Scheme.

Those are factors which are bound to depress the yield from the fares increase in the early months of its existence, and for which no correcting allowance has been made at all when the Commission built up their figures for "Z" year.

I am sorry that was rather a complicated and rather a rambling answer.

2059. It means that one is faced with certain alternatives, as I understand it, which are themselves alternative to the proposition that there has been a downward trend in traffic?—Yes. It is also, I think, of interest to point out that if one assumes that the first part of the calculation did point to a downward trend having taken place that brought about a reduction of 1 per cent.—I think the 1·2 per cent. is wrong in any case—when one comes to look at the "Z" year estimates and compares them with the "Y" year estimates, one finds that they have really allowed for a discount of 1·7 per cent., and there is no evidence, even on their own figures, of such a downward trend having taken place.

2060. So that all that would mean, if we are right on this issue as to whether there is and has been a downward trend of traffic, is that the "Z" year estimates are underestimated not merely by £0·667m., but by some

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other figure which is very difficult to quantify?—Yes. I think one could get at a figure which represents the effect of the three together.

2061. Will you do that now or later on?—A little later on.

(Mr. Geoffrey Lawrence): We can do that when we see the final position.

2062. (President): The suggestion, or hypothesis, that the only adverse cause operating in 1953 was the increase in fares carries with it, as I understand it, the implication that the discounts put forward at the last Inquiry were insufficient?—Insufficient in relation certainly to the opening months of the fares increase; it does not necessarily imply that they were insufficient over a longer period.

2063. At the last Inquiry the discounts were expressed not in relation to the opening months, but in relation to the estimated gross receipts from each fare change?—Yes.

2064. Are you suggesting that those discounts were correct or incorrect?—I think certainly they were grossly optimistic, so far as the opening months were concerned, and that over the period they were insufficient.

2065. We do not know what they were for the opening months; all we know is the discounts they were allowing for the year's yield?—Yes, but we do know that in the opening months they fell far short of producing what they would have done if the discounts had only been what they had estimated them to be.

2066. We knew in the course of the Inquiry that there had been a drop in the anticipated yield for the first eight weeks?—Yes.

2067. In the exhibits that were lodged—and of course they were lodged long before those eight weeks began to run—certain figures were taken as being the discounts, namely, the allowance being made for the effect of the proposed increases?—Yes.

2068. And those discounts were discounts expressed as percentage deductions from year's estimated gross revenue?—Certainly.

2069. What I want to know from you is, if you have formed an opinion about it: Were those discounts as expressed in the exhibits in relation to the whole year too high or too low?—I do not think they were very far wrong, but I think if anything they were rather too low. I think that will be borne out if we look at the effect at certain fare stages.

2070. I thought Mr. Lawrence had been at pains to correct Mr. Willis at some stage and suggest that in his cross-examination of Mr. James he had meant to suggest that the discounts in the last Inquiry were too low.

(Mr. Geoffrey Lawrence): No, Sir—the discounts suggested in this Inquiry, not the last one.

(President): Yes, but I gather that you are going to produce in some later table some evidence that they were just about right, taken for the whole year.

(The Witness): No, Sir; I think they do tend to be too low, and that is rather borne out by the very sharp effect at certain fare stages.

2071. (President): I had got the impression that that was implicit in your other calculation—that there was no cause for the change in traffic, save the fares increase?—With respect, Sir, I did not say so; I did not say there was no other cause. I did say that there was certainly no trend, and the balance was characterised by an event, namely, the increase of fares. There are other matters, but they are not in the nature of a trend.

2072. I do not want to pursue this any more, but you will find that Mr. Lawrence made it perfectly clear, when he began his cross-examination, that the only adverse cause was the fares increase.—It was the only major cause.

2073. However, I am interrupting; you say that there were some other causes operating, but that was the major cause?—Yes, Sir.

2074. (Mr. Geoffrey Lawrence (to the Witness)): Before we pass from BTC 8, is there anything that you desire to say about the matter which is set out in paragraph 6 of that document? We have been given the

figures which are appropriate for each of the sub-paragraphs, and it was explained by Mr. Valentine, I think it was, that the arithmetic, if you take into account those various figures, did not work out quite right, but there was a reflection again of their contention that there had been a downward trend in traffic?—Yes.

(President): That was very, very slight.

(Mr. Geoffrey Lawrence): Yes, Sir.

(President): It was only in the tens of thousands—40,000 or 50,000.

(The Witness): It was very, very slight.

2075. (Mr. Geoffrey Lawrence (to the Witness)): There is nothing you want to say about that?—No. Then there is the amount taken out for the Coronation, £210,000, so far as it confirms any figure of that magnitude. I have no comment to make on the allowance for augmentation and development. The next item is the amount brought in to give effect to the last increase; the only effect on "Z" year is that it is at that point that the Commission should make the further corrections, I think, to adjust for the initial reaction which is at its greatest, and for the facts that season tickets take some time to work through before they can reflect themselves.

2076. (Mr. Poole): You think the figure should be larger?—I think that addition should be larger for those reasons, Sir.

2077. (Mr. Geoffrey Lawrence): Instead of 2-808, it should be something higher?—Yes—it is only about 0-2 higher. Then as regards the allowance for the basic declining trend of traffic, that deduction, I think, should not be there at all, and that rests not only on the study of passenger journeys, but also on some further figures dealing with passenger receipts.

2078. (President): Could we just total it up? The result of these figures as plusses and minuses to the realised figures for 1953, of course brought the "Z" Year estimate up to £70-6m.?—Yes.

2079. In addition to that £70-6m. real "Z" Year revenue, at existing charges, you will add the £0-667m., and you will also add something not yet quantified, to the £2,208,000 which is allowed for as being the effect of the old August charges operating for a full year?—Yes.

2080. There are just those two differences?—Yes.

2081. (Mr. Geoffrey Lawrence (to the Witness)): Now can we pass to the next table, LCC 202?—I wonder if it would be convenient to deal with Table 209 now? It is right on the question that the Tribunal are on.

2082. Deal with it in just whatever is the best way you think is the best way of dealing with it.—It is the one you referred to in opening—

(President): Mr. Lawrence, do not change the course of your examination because of anything we have said; I think you will be better advised to go through the proof with the Witness.

(Mr. Geoffrey Lawrence): I only want to give the utmost assistance I can, Sir.

(President): I think you will do that if you follow the course you had intended to pursue this morning—but of course, that is not a direction.

(The Witness): If it does not upset you, I am sure it would be helpful if you too LCC 210; column 5 should read: "BTC Schedule". (Tables LCC 210 and 211 handed.)

2083. (Mr. Geoffrey Lawrence): I would ask you to explain the two tables, LCC 210 and LCC 211, but perhaps you would take LCC 210 first of all.—This is a statement based on information to which I have referred, and which was obtained from the British Transport Commission on Friday. It brings into comparison their budget of receipts for the London Transport Executive services over 1953 with their actual for 1953, and of course it is on that comparison of budgets with actual that the entire contention as to a downward trend is based.

2084. (Mr. Poole): Columns 4 and 5 are only a difference between what you have taken out of Transport Statistics and what the British Transport Commission have given you?—Yes, Sir.

2085. It is only a very slight alteration?—Yes. I have plotted column 4 just to indicate these figures if they



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should be required, but it is column 5 which is used later on. Column 2 shows the 1952 figures period by period, and they are taken from the 1953 additions, because as you will observe one always has to do that twice—one has to do it all the way through. Those figures are put down only for the purpose of record, because it has been stated that the budget for 1953 was based primarily on the 1952 experience.

The British Transport Commission budget for 1953, four-weekly period by four-weekly period, produced the figures shown in column 3. The actual figures taken from the Schedule which the Commission has produced are shown in column 5. The budget figures purported to be adjusted for all exceptional headings, to include an allowance for Coronation, etc. If one compares the figures in column 5, which are the actual, with the British Transport Commission budget in column 3, one gets the results shown in columns 6 and 7 for periods 1 to 8.

The experience in the first period—that is on line 1—is that the actual falls short of the budget by £85,000, or as much as 1·7 per cent., and that in period 2, which is February again, the figure of shortfall is £225,000. These are periods 1 and 2 together; these are cumulative figures which had brought it up to 2·3 per cent. at that stage. The effect of the improvement in period 3 reduces the accumulated deficiency to £181,000, or 1·2 per cent. of the budgeted figure up to that stage. The somewhat erratic effects seem to work themselves out then into a somewhat stable position in periods 6, 7 and 8, when the accumulated deficiency fell short of the budgeted receipts by 1 per cent.

It is fairly clear from those figures that the London Transport Executive services lost a considerable amount of traffic in the first three months of the year—a fact that we already knew—and that they never really pulled it up again; they did not have a sort of bumper month later on which would enable them to recover the rather bad time they had had in January, and particularly in February, of 1953.

But clearly, looking at the figures in column 7, there is no evidence of trend, as we understand trend to be, at all. There was evidence of a bad time at the beginning of the year, and some recovery from it, but certainly there was no evidence of what you could call trend.

2086. (President): The figures in column 6 are the differences between the anticipated and the actual?—That is correct, Sir.

2087. The percentages are not percentages of each month's difference; it is the percentages which are cumulative?—Yes, Sir.

2088. (Mr. Harold Willis): And column 6 is cumulative?—Yes; they are both cumulative.

(President): Yes; that is quite right.

(The Witness): Had there been any factor like a trend at work, one would not have expected to have obtained a picture of a series of figures like those presented in column 7. Of course, it may be that the British Transport Commission's budget contains errors, one way and the other, in the spread-over of 52 weeks; but on that my only comment can be that the whole exercise—the whole point of this contention that there has been a downward trend—is based on that budget.

If one makes a further analysis—and I am afraid I have not got this in the form of a table, although I do not know if the Schedules prepared by the British Transport Commission have been handed in or not—but if one makes a comparison week by week for the first 32 weeks of the year, instead of month by month, one finds that there is a total short fall in those 32 weeks of £443,000, which is the £418,000 plus the extra week—these are four weeks and the others are one—and of that short fall just over half, £225,000, occurred in the first eight weeks in the year, that exceptionally bad period; £48,000 fell in the Coronation week; in other words, the amounts allowed for in the budget for Coronation appeared to be rather higher than they were in the result, and no less than £170,000 occurred in the two weeks in which Easter fell. By that I mean that the Easter Monday fell in a different accounting week from the Easter Friday, because the accounting week ends on Sunday, and therefore one can only take the two weeks.

So that on a total short fall of £443,000, we get over half having occurred in the doldrums of January and February—it is £225,000. There is £48,000, the difference on the Coronation week figure, and £170,000 over Easter, and, if my recollection serves me rightly, it was not a very good Easter.

At the other times in these 32 weeks, the figures are higher than budget or lower than budget, almost willy-nilly; certainly there is no evidence of a basic trend at work at all.

2089. (Mr. Geoffrey Lawrence): Is that all you want to say about this table?—I think so. I might just make a comment at this point on the figures in columns 6 and 7 for the period after the fares increase; that is, periods 9 to 13 inclusive.

In period 9 the fares were increased at the end of the first week, so there was not quite a full month of fares increases in period 9, but only three weeks. These figures in columns 6 and 7 are governed entirely by the little intermediate heading, something quite different from the heading at the top of the table. It is just a comparison of the increase; at least, it is a measure of the increased income after the fares increase for each period—I have not given the date—over what the British Transport Commission estimated as their receipts for those periods on the pre-increase basis. It gives some measure of what the increase in fares yielded in those periods, and it will be seen that although the Scheme, after all the accepted discounts—that is to say, those put forward by Mr. Valentine—was due to increase the revenue by about 6·7 per cent. (that is, taking it over the whole year, of course) the effect in period 9 was only an increase of 2·8 per cent. I have adjusted that from the fact that it is only three weeks and not four—initial reaction appears to have been most marked there—and the fact that there ought not to be any seasons except weekly seasons, at the new rate. You get the figures 5·1 per cent., 4·6 per cent., 5·0 per cent. and 6·1 per cent.—still at that stage falling short of the 6·7 per cent. or thereabouts which the Scheme should have yielded. I think that confirms that the discounts in the earlier period—the fall-off—was considerably more in the earlier period than the discounts had allowed for, and it also confirms the points about the season tickets to which I have referred.

2090. (Mr. Poole): I have still not grasped why, in the first eight weeks, where you show an accumulated deficiency of £418,000 and a percentage of 1—you say definitely that it does not show any sign of a trend?—Not of a trend—that is to say, a basic decline in the volume of traffic—but only that the figures did fall short by 1 per cent. of what the London Transport Executive budget had estimated them to be. A trend, of course, is a progressive thing, but they show that there was a difference of 1 per cent. between the actual and the figure shown on the London Transport Executive budget. Of that there is no doubt at all.

2091. Supposing you could carry them forward for a whole year—and I know you could not—you would have got just about the figure which Mr. Valentine put forward, the balancing figure of £667,000 for the year.

2092. (President): Yes; it is obvious that you would. You have £681,000?—That is quite so, but you are only entitled to make that adjustment of £667,000 to be projected in the future, if it is trend, and nothing else.

2093. Then what was it—it was not fares?—No, Sir; I think it was the exceptional loss in the opening months of the year, from which they never really recovered, plus an unknown amount for the errors in the London Transport Executive budget.

2094. No, Mr. Hill, one must start somewhere. If we are not starting from the London Transport Executive budget, all these calculations, whether percentages or anything else, are a waste of time?—Yes.

2095. The purpose of this table, at any rate, is to draw some deductions which are only valid if you do start with the budget?—Yes, I agree they are for this table. The answer in that case is that the first one indicates that they lost so much in the earlier months that they never recovered it.

2096. (Mr. Geoffrey Lawrence): And you say that that position is made clearer still by a weekly analysis, of which you have given us some details?—Very definitely.



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2097. I have not the weekly analysis in the form of a table; I do not know whether you have it?—I only have it in the form of a manuscript of my own. There were constant losses in the first seven weeks in the year, which accounted, as I say, for half the total loss in the first eight periods in the year.

2098. But it does show, does it not, in column 7, treating the matter cumulatively, that towards the end of the period, from period 5 to period 8, the position had flattened out to a position of comparative equilibrium?—Yes.

2099. Instead of continuing to go downhill, if in fact there was a downward trend at work?—Yes.

2100. (President): Well, period 6 is Coronation.—Yes; it purports to be in both figures, of course, but—

2101. (Mr. Geoffrey Lawrence): Table LCC 211 goes with that, does it not?—Yes. This is just another exercise really. It is a further analysis from the Commission's figure on this subject. The figures in the first column are first of all—

(President): Are these figures not in another table which has been printed in another form?

(Mr. Harold Willis): It follows rather what is in BTC 8.

(President): I thought I had seen a table with the adjustments for the three days in 1952.

2102. (Mr. Harold Willis): There was in one of the documents which I put in, one of the answers; one of the bundles shows that.—Yes, that is right, Sir; it is the statement of the budget, week by week. That is the one, I think.

2103. (Mr. Geoffrey Lawrence): Would it be convenient to deal with LCC 211 now, Mr. Hill?—It would fit in very well.

2104. Then will you explain what it is and the points upon it to which you wish to draw attention.—Taking first of all the period up to 16th August, that is, the period of 33 weeks to that date—I think the statement which the British Transport Commission put in refers to 32 weeks, but it is a typing error and should be 33 weeks to 16th August—the figure is £42,963,000; that is the figure which of course appears on the cover sheet to that reply.

2105. (President): Yes, that is shown on the schedule and in the answer to the letter.—Yes.

2106. Is it 33 weeks?—It is 33 weeks. Then there is taken out the adjustment for the three days, 29th, 30th and 31st September and also for the one day, 16th August. Those adjustments appear to be in relation to budgetary figures, not adjustments in the terms of actuals.

(Mr. Harold Willis): No, they are budget.

(The Witness): They are in terms of budget throughout, I take it. Now if one confines one's attention first of all to the actual figures for 33 weeks (and by so doing one avoids a rather speculative development in those figures of 506,000 and 116,000 and brings them into comparison with the actual results in that period) of £42,520,000, the short fall in that period is £443,000, or 1.06 per cent., or 1.05 per cent to be accurate. That deals with the figures for the 33 weeks absolutely like with like.

2107. (President): Where do we actually get the figures of £42,520,000 from?—It is really the total of periods one to eight on LCC 210 plus the figure for the remaining week, which has been taken from the information provided by the British Transport Commission. It is the week ending 16th August.

(Mr. Poole): It is called an actual figure. Mr. Lawrence, is that agreed by the other side?

(Mr. Geoffrey Lawrence): I do not know, Sir, whether it is agreed. I have only just seen it.

(Mr. Harold Willis): I think so.

(The Witness): It agrees with the statement they have provided.

2108. (Mr. Geoffrey Lawrence): I expect it is a purely factual figure, is it not?—Yes.

(Mr. Harold Willis): We provided the Objectors with the actual figures week by week and I assume Mr. Hill is merely adding up for his evidence the particular weeks with which he is concerned.

(Mr. Poole): That schedule is one we have not had; we have had the budget week by week.

(Mr. Geoffrey Lawrence): I do not think you have had the actuals; I asked for that in the course of Mr. Valentine's evidence to be provided, and I gather it has been supplied.

(Mr. Harold Willis): I do not think the Tribunal have it. In the correspondence there is the budget split, but not a document of the actual split. That has been supplied to the other side, and of course it can be supplied to the Tribunal as well if you require it.

(President): I do not think we want it at the moment.

(Mr. Poole): I only wanted to be satisfied that £42,520,000 is reasonably acceptable.

(Mr. Harold Willis): I think so; I do not know that we have done the arithmetic yet, but we shall certainly have an opportunity of doing it; and for the moment I think we can accept it.

(Witness): That £443,000 shown under the heading "Short-fall" is really to be compared with the £514,000 shown in the calculation in paragraph 5 on the statement BTC 8. It is somewhat surprising that the two figures do not quite tie up or do not tie up much more closely, but the reason is that in the further adjustments for the three days in 1952 which have to be excluded and the day of 16th August, 116, the Transport Commission take out certain budgetary figures for those four particular days which were some £60,000 to £70,000 different from the actual figures for those days. In other words, it is relying on the budget to a very, very great extent when you get it down to a day's adjustment; and I would have thought that statistically the right way would have been to have made the adjustments by reference to the actual. Be that as it may, however, the measure of the fall up to that point is 1 per cent. Another smaller adjustment is made by the British Transport Commission as shown in the covering note of that statement, made from 1953 up to "Y" year, rounding off to £25,000. I cannot appreciate why that is brought in at all, because "Y" year and 1953 were not the same; in no sense have they ever been expressed as being the same. The figures (again taken from the Commission's analysis, both the Budget Statement and the others for the latter part of the year are then shown and the actual figure for those 19 weeks is shown in the second column. The whole purpose of this table was to show that if the 1953 figures and the "Y" year figures had been overestimated by 1 per cent., that is the 1 per cent. which we found to have taken place. By "overestimated" I mean that term to account for anything in anticipation compared with actuals which might or might not reflect the trends. I mean a difference of 1 per cent. You could then make a calculation along these lines for the second part of the year. The budget estimate for the 19 weeks to 27th December on the London Transport Executive budget was £24,493,000. If it be that there has been a decline—not necessarily a trend, but a decline—of 1 per cent. for the early part of the year, it would be expected that that decline of 1 per cent. would also reflect itself in the second part; so a 1 per cent. deduction is made. That is then brought into comparison with the actual receipts, which show a net gain over that adjusted figure for the 19 weeks of £1,418,000; that represents a 5.8 per cent. increase on the basic figures before the fares increase. Then the adjustment for the four days has to be made, but that is comparatively simple and not much can turn on that. The Commission's estimate of the full annual net yield of the 1953 Scheme, if it be right—and they make their calculations in BTC 8 on the assumption they are right, or were right—was, as near as I can find out, £4.6m., but I think it is fractionally under that.

2109. (Mr. Geoffrey Lawrence): £4.55m. or something of that sort.—I have no means really of getting it; £4.6m. is used here but I think it is £4.58m. I do not know whether that figure allows for a 1 per cent. basic decline. Anyhow, nothing really turns on that. But if the £4,600,000 was the yield of the Scheme on the old volume of traffic, and if 1 per cent. over-estimation in the London Transport Executive budget had been made—over-estimation or an error due to other factors, whatever they are—it would naturally affect the yield of the Scheme too because if the whole of the volume is lowered down then the amount to be obtained from increasing the 3d. fares to 3½d. would also come down; so it is right to apply 1 per cent. adjustment there. From the calculation above, the amount they have received from the fares increase has been derived on that basis of £1,464,000, so the necessary adjustments in the "Z" year's estimate to give

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effect to a full year's effect of the fares increases under the 1953 Scheme, will be a figure of £3,090,000. That calculation is only put forward on the proposition that the London Transport Executive budgetary figures are right and can be accepted of course for the purpose of these calculations, just as the previous one is. But it gives an approach to the amount that could be brought in in the "Z" year over and above 1953, which would reflect the other factors to which I have referred, namely, the season tickets and the overcoming of the initial reaction. It is only about £200,000 more than the figure brought in by the British Transport Commission. That some such extra amount should be brought in strikes me as being very, very obvious, and that is a possible evaluation of the total of it. I could not put it higher than that.

2110. (President): You think £2,808m. is too low and you think it is possible to say it is too low by £0,282m, £282,000?—That is right, Sir, yes.

2111. That would make your "Z" year estimate of receipts at existing charges £71,55m.—I agree, Sir.

2112. (Mr. Geoffrey Lawrence): Now Mr. Hill, I think we can pass from that main part of your evidence, can we not, to table LCC 202?—Yes.

2113. Is LCC 202 a comparison of the data presented for "Y" year and "Z" year adjusted in respect of the latter year for the effect of the Tribunal Award?—Yes.

2114. I do not think we need delay long over this table.

(Mr. Poole): Which table is this?

2115. (Mr. Geoffrey Lawrence): LCC 202. First of all line 3 shows, does it not, a very substantial difference in the estimated income from season tickets on London Lines?—Yes.

2116. And it also shows, does it not, taking London Lines as a whole, that the figures are about £3m. better for "Z" year than was estimated in "Y" year?—Yes. This table and one or two others that follow it were part of the preliminary or preparatory examination which we made of the "Z" year figures, and we compared them with the "Y" year figures. There were some rather surprising differences and it was all part of an attempt to try and locate them, to try and find out what had happened in this comparatively short period of time. This table, LCC 202, was prepared showing these comparative figures, but before giving effect to certain adjustments of errors of which we have since been informed in reference to our inquiries. I think it pinpoints the main comparisons if one does take on their original figures first of all before adjustment of errors. The "Y" year figures for London Lines were put in the Scheme as put forward at £21,654,000 after clearance. I do not think any figure has been given anywhere as to what the effect of the Tribunal's Award affecting early morning tickets on London Lines is in terms of total money. You will see, Sir, that against that £90,000 there is a question mark. That £90,000 has only been got out in this way. One can evaluate the London Transport Executive figures at £410,000; that is line 22, column 5. The effect of their modifications was of the order of £51,000; it did not contain a precise figure of course. The £90,000 is just the difference on London Lines, and I think it is fairly clear really that it could not be as much. The modification was very short distance traffic, but it is that difference to agree with the round figure in the Tribunal's Memorandum. It does not make any difference to the subsequent figures worth talking about, but it needs to be explained. The 1953 Scheme as approved, and after deducting that, was £21,574,000 yield. The "Z" year figures are now put forward at £72,025, a very considerable improvement on "Y" year, which appears of course to arise almost entirely in line 3. It is a very considerable improvement despite the fact of a fall of nearly £4m. in the miscellaneous group, on the warrants and so on.

2117. Yes, about which we heard the other day.—Yes.

2118. Have you any suggestion to offer as to what is indicated by that increase?—We have also been informed that the "Y" year figures and all earlier figures on the London, Tilbury and Southend Line were overstated, overstated in terms of receipts, and that the "Y" year figures and all previous figures should be abated by something of the order of £160,000 a year.

2119. The last document which was put in this morning?—Yes. If one keeps that in mind, it really means that the measure of improvement since "Y" year is relatively greater than the straight comparison of these figures would indicate, because you must take "Y" year, reduce it and then compare it. So there is apparently a very marked improvement on London Lines over this last twelve months.

2120. What would you say that suggests? Is it to be accounted for partly, do you think, by transfer from London Transport Executive?—It raises the possibility of that, certainly. There is of course no doubt that the London Transport Executive figures are below "Z" year anticipation; we have seen all that in detail, but here one finds figures very well above anticipation, and it only raises the possibility of a transfer of some degree. One cannot prove it, I do not think.

2121. Or possibly an upward trend on London Lines?—May be.

2122. It is very difficult to say what it is?—That is so.

2123. It may be a combination of factors operating at different intensity?—That is quite so, but it does seem to me particularly significant that the picture here should be opposite to that of the London Transport Executive and really proportionately more marked; proportionately more marked is the improvement here than the decline on the London Transport Executive. It might of course be due to a substantial error in the "Y" year figures for the produce of season tickets, but I should hardly have thought that would be the case.

2124. Before we leave this table, line 13 disclosed some rather remarkable comparisons, did it not, in respect of early morning traffic on the Central Road Services?—Yes.

2125. I think we can take this very shortly. As a result of the position disclosed by the various resulting figures, we made inquiries of the Commission and they gave us an explanation, which Mr. Valentine repeated in his evidence.—Yes.

2126. Did you hear it, or have you subsequently read it?—I did not hear it. Of course, I had the original letter which gave the explanation, and I have subsequently read it in evidence. When these figures were originally brought into comparison, they showed just no relationship at all—and more so when one brought it down into fare categories—between "Z" year and "Y" year figures on the early morning travel; and early morning travel, of course, as you know only too well, includes the return journey, ordinary fare, for this purpose. Of course it was due to the fact that—I say "wrong" for want of a better word—a wrong assessment was made of the distances of the early morning travellers, with the result that quite wrong amounts had been taken out of the ordinary fares and included in the early morning travel category. The effect of that was to distort both the early morning comparisons and the ordinary, particularly on Central Road Services.

2127. So it would be necessary to reinstate those amounts, so to speak, into the ordinary categories before you could make any true comparison?—Yes. That being the case, you can only compare "Y" and "Z" years by reinstating in the ordinary categories the amounts wrongly taken out, and from that stage onwards to treat early morning travel as confined to the early morning ticket, and to regard the return journey of the ordinary fare as being in the ordinary category, which I have always thought a simpler way of doing it.

2128. And is it right to say that that is what you have done in the next and relevant subsequent tables at which we are going to look?—Yes, that is so. One is forced to do it in that way.

2129. (Mr. Poole): I am not quite clear, Mr. Hill, about your suggestion of a wrong assessment of the return journey. That is what you are really saying about the buses—Yes, the assessment of the distance which the early morning passenger travels.

2130. I thought the difference was the fact that in one case the 3d. fare was lower than the 3½d. fare and consequently it is included in the early morning fares—I am talking about the outward journey now—and that would not be so in the case of the "Z" year estimates. So you have two different fares; in one case the fare

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is in the early morning and not in the ordinary, and in another case it is in the ordinary and not in the early morning.—No, that particular correction is given effect to in column 4; that has to be done first of all to get them on a comparable basis. That particular correction is dealt with in column 4; you see the same amount is taken out of one and put in the other, but after making that correction—I am giving effect also to the Award, as is shown in column 5—you get the figures in columns 6 and 7 which are quite inexplicable, subject to further explanation. When one broke them down into fare category and fare category, as one can do by taking "Y" year figures and "Z", one found they bore no relationship at all. The reason given for that was the revised assessment now made as to the distances which these people do travel on their outward tickets, giving rise in its turn to a different evaluation between the amount they need to take out in the ordinary travel and put in here.

2131. (Mr. Poole): That has been accepted by the Commission?—That has been accepted by the Commission.

(Mr. Geoffrey Lawrence): It is a change in the methods of classification.

(Mr. Harold Willis): It is a change in the method; it is not wrong, but it is a different method.

(The Witness): I think it does imply, inescapably, an error in "Y" year.

(Mr. Geoffrey Lawrence): You used the word "wrong", I think, with a qualification which I hope will not be quarrelled with too much.

(Mr. Harold Willis): It is all in the correspondence.

2132. (Mr. Geoffrey Lawrence): It is a different method of classification, and you have made the reinstatement necessary in order to bring the figures into relationship with each other in your next and subsequent tables.—That is so, yes.

(President): I do not think these qualifying adjectives, whether they are adjectives of praise or blame, really carry one any further to the destination one is hoping to reach when one is dealing with mathematical calculations.

(Mr. Geoffrey Lawrence): With respect, I entirely agree. I think Mr. Hill must have felt something like that with the hasty qualification he added to the word "wrong".

(President): Yes.

2133. (Mr. Geoffrey Lawrence): In table LCC 203, Mr. Hill, have you reproduced table LCC 202, but with the adjustment for the reinstatement of these amounts?—Yes, this table brings into comparison the "Y" year estimate, the net "Y" year estimate, that is to say the figure after allowing for the Tribunal's Award, of course, and after the discounts that have been applied when the Scheme was put forward, and it compares it with the "Z" year figures. In bringing these two into comparison, what I am trying to do is to see where the change of pattern, or the loss of £1.7m. roughly, has taken place. That £1.7m. is the London Transport Executive figure, of course.

2134. It is really lines 11, 12, 13 and 14, is it not?—Very largely; the fall-off is in the ordinary tickets on the Central Road Services, that is line 11. There is between £1.1m. and £1.2m. in that particular category of travel. There is a £100,000 loss on the Country Buses; there is considerable improvement in the ordinary travel of coaches; there is a fairly substantial loss in the ordinary travel on London Transport Executive railways.

2135. That is the fall-off as between "Y" and "Z" year?—Yes, comparing "Z" year with the net for "Y" year. So the difference, when the figures are put in this way, can represent either, one, the fact that the discounts were not enough in relation to certain of these types of travel and not enough by a long chalk, or two, that there has been a decline, not necessarily a trend, but a decline, in certain classes of travel, quite disproportionate to others, or three, that the "Z" year global estimate itself is seriously wrong. That might account for the differences, because the "Z" year figure is first of all ascertained and then spread over the whole of their pattern. It is not built up the other way, of course, and so there is always that to keep in mind.

2136. (President): For practical purposes, it is all in the ordinary category, railways, Central Road and Country Buses—leave out the coaches—is it not. It is pretty well all in the ordinaries, is it not, rail, Central Road and Country Buses?—That is so.

2137. (Mr. Geoffrey Lawrence): In other words, this table is designed to spotlight the points at which the greatest fall-off is to be found?—That is quite so, yes. I am afraid it is rather a long process up to that point, but I found it so necessary to go through these stages.

2138. While we are dealing with Table 203, may we make this clear, that your "Y" year figures, as is stated in the head of column 3, allow for the discounts for loss of traffic which were incorporated in the Commission's "Y" year tables.—Yes.

2139. What do you say about that?—It is very difficult indeed to compare a net yield on the basis of the acceptance of certain specified discounts with a figure at another line for "Z" year because I do not think Mr. Valentine would have suggested that in their particular significance any one of these discounts was a measure of what was going to happen. Overall, no doubt, that was what the Commission felt would be lost, but of course it is quite impossible for anybody to say that 5 per cent. of the 3d. fares would fall back to the 2d. fare. Overall it might have been so throughout the picture, I do not know. So if one is comparing "Z" year with "Y" year one is starting from the point where one is saying that the discounts were right to begin with. That might not necessarily be the case, and therefore I think one has to make another comparison.

2140. And that you have done on table LCC 204?—That is so, yes.

2141. That differs from LCC 203 in that column 3 is the "Y" year estimate allowing for the Tribunal's Award, but before allowing for these discounts?—That is so, yes, so as to show up the total differences which might be due to discount, to abnormal reaction above discount or any change in the pattern that might well take place. I think it is a better comparison really to have that taken out in that way; they both serve their purposes, but that seems to me the better way of doing it. These have been derived from the same basic material but by adding back the discounts.

2142. And, of course, with the adjustment of the early morning?—That is common throughout this series; your figures do not mean anything until you do that. These show the same picture again, but it is concentrated in the ordinary fare categories. They show that on the ordinary fares of Central Road Services (line 11) there is a decline compared with what the gross yield would have been after the 1953 Scheme of over £1½m. in that category alone. They, of course, do show that it is concentrated in that ordinary fare travel. Those differences, as I have pointed out, might represent the aggregate of all the factors at work; insufficient allowance on the original discounts, error in "Z" year, error in "Y" year; all of them. You cannot segregate them.

2143. (President): And any causes unidentified?—And any causes unidentified, yes.

2144. Except a basic decline in passenger traffic?—Except a basic decline in passenger traffic until there is some evidence that there is a progressive decline, yes.

2145. Among the operating causes plainly, and admittedly, is the increase in fares?—Yes.

2146. And there are probably some other operating causes?—Probably.

2147. (Mr. Geoffrey Lawrence): Whatever the cause, or combination of causes might be, whatever the intensity of the causes in combination, we can see the final picture in line 21, can we not? But for the consequential loss of traffic, the "Y" year estimates would have shown a total revenue for London Transport of £72,876,000?—Yes.

2148. The "Z" year figure is £70,600,000 and that is a decline of nearly £2.2m.—Yes, £2.2m.

2149. As you have pointed out, that is to all intents and purposes concentrated in the ordinary fare categories?—Yes.

(President): We have really been dealing mainly with the London Transport Executive, have we not?



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MR. STANLEY WILLIAM HILL

[Continued]

(Mr. Lawrence): Yes.

2150. (President): The £1.9m. is the difference between the London Area Services as a whole, columns 3 and 4?—Yes.

(Mr. Geoffrey Lawrence): Yes, that is right, Sir.

2151. (President): I think Mr. Hill wanted to make that correction; I observed it.—Yes, it just occurred to me at that moment. Might I just add a word to my previous answer to your question? I do not think there is any evidence of trend, but I do not mean by that that the traffics might not have fallen with a bump, because something may have happened, say in January of 1953, something which I cannot think of, which took the traffic, but it is certainly not a progressive decline; some event or some happening, but not a trend, something you cannot project again into the future; that is what I mean.

2152. (Mr. Geoffrey Lawrence): It is the progressive element of the alleged trend projected into "Z" year elements, with the consequent result of that factor, that we are seeking to rebut?—Purely.

2153. Purely that?—Yes.

2154. Have you prepared a further table, LCC 207, which is in point, or we submit it is in point, at this stage of the evidence?—Yes.

(Mr. Willis): May I make the request that we should be supplied now with any further documents which are likely to be put in during the course of the London County Council's case?

(President): I hear that application with sympathy, provided that "we" includes the Tribunal.

(Mr. Geoffrey Lawrence): Of course my learned friend and the Tribunal shall have any documents at the earliest possible moment. Some of these documents unfortunately could only be prepared over the weekend, with the result that they could not be circulated until this morning.

(President): Have we really finished the period of incubation?

(Mr. Geoffrey Lawrence): I hope nothing further has to be added, but if there is anything, as soon as it is in this world you shall have it, and so will my learned friend.

(Adjourned until tomorrow morning at 10.30 o'clock.)



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[Continued]

## ELECTRICITY CONSUMPTION AND COSTS

BTC 706

"Z" YEAR

	Units per Loaded Car Mile	Cost per Unit	Cost per Loaded Car Mile
	Units	d.	d.
EASTERN REGION			
Liverpool St.-Shenfield ... ..	2.88	1.23	3.54
LONDON MIDLAND REGION			
London Area Lines including L.T. trains	3.71	0.95	3.52
SOUTHERN REGION			
(i) All Region ... ..	2.55	1.36	3.46
(ii) London Area only ... ..	2.80	1.36	3.81

NOTE 1.—The London Midland electricity is generated by the region and interest is therefore not included. The Eastern Region electricity is wholly purchased and the Southern largely so from the British Electricity Authority and therefore includes the interest element.

NOTE 2.—The above costs exclude the Electric track equipment.

## L.T. &amp; S. LINE—ORDINARY FARES

BTC 707

FURTHER INFORMATION WHICH MR. VALENTINE PROMISED TO OBTAIN, IF AVAILABLE, IN ANSWER TO QUESTION 910, 3RD DAY  
BTC 510 APPENDIX A SHOWS

1. "Y" = Year at then existing charges	£
2. Discounted yield of 1953 Scheme	1,300,000
3. Total (= "Y" year at increased charges approved in 1953)	60,000
	1,360,000
BTC 810 APPENDIX A SHOWS	
4. "Z" year at existing charges	1,148,000
Reduction in value of traffic assumed in "Z" year compared with "Y" year (Line 3 minus Line 4)	£212,000

The main explanations of this reduction are:—

- (a) It has since been discovered that the "Y" year estimate (and all earlier estimates) erroneously included through bookings from L.T. & S. Line to points outside the London Area to the tune of ... .. 160,000
- (b) If this correction had been made on BTC 510 Appendix A the yield would have been proportionately reduced by say ... .. 8,000
- (c) Since "Y" year the introduction of evening excursion fares has diverted some traffic from L.T. & S. Line Ordinary category to "Day Return fares", estimated at ... .. 13,000
- (d) In compiling the "Z" year estimates, an arbitrary deduction was made from the 1953 ordinary fare receipts (adjusted to reflect a full year's operation at existing fares) to reflect a general declining trend of ordinary traffic on that part of the L.T. & S. Line which is comparable with London Transport railways ... .. 24,000

Total (a), (b), (c) and (d) ... .. £205,000

When the above explanations are taken into account, it will be seen that the increase in fares cannot be said to have resulted in a loss of receipts, as suggested by Mr. Lawrence in Question 900. In fact the above figures imply that all but £7,000 (£212,000-£205,000) of the discounted yield shown in BTC 510, adjusted as shown in (b) above, has been realised.

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[Continued

## L.T.E. SERVICES

LCC 209

## CHANGES IN PATTERN OF TRAVEL, "Y" YEAR AND "Z" YEAR

The BTC estimates of receipts for each category and for each denomination of fares are derived by apportioning the "Z" year total estimated receipts (£70.6m.) over the categories and denominations according to a pattern derived from tests.

Thus, to eliminate any effect of trend, etc., it is possible to compare the changes in pattern between "Y" and "Z" years by raising all the figures in the "Z" year pattern in the proportion which the "Z" year total receipts, before allowance for augmentation, development and "downward trend" (£71.019m.), bears to the "Z" year total receipts (£70.6m.).

The figures thus derived can be compared with the "Y" year pattern (before discount for lost traffic due to fares increases). The differences represent changes in the pattern, including the effect of traffic lost through fares increases and downward trend (if any) that has taken place.

Applied to *Central Road Services—Ordinary Travel* (including return at ordinary fares of early morning travellers) the following results are shown:—

Fare		"Y" Year Gross Yield	"Z" Year Gross Yield
s.	d.	(£000)	(£000)
1	...	749	735
2	...	12,677	12,536
2½	...	211	256
3	...	41	41
3½	...	12,625	11,696
4	...	4	1
5	...	6,188	6,637
6	...	4,660	4
7	...	2,593	4,252
8½	...	437	2,383
9	...	1,501	2
10	...	616	1,655
1 0	...	437	645
1 1	...	530	339
Over 1 1	...	530	341
		42,791	41,523

## LONDON TRANSPORT EXECUTIVE

LCC 210

## PASSENGER RECEIPTS, 1953—B.T.C. "BUDGET" AND ACTUAL

Period (1)	1952 per 1953 edition Transport Statistics (2)	B.T.C. Budget 1953 (10th March, 1953) Pre-1953 Scheme Fares (3)	1953 Actual		1953 Actual (col. 5) compared with Budget (col. 3): cumulative deficiency (6) (7)	
			Transport Statistics (4)	B.T.C. Schemes (5)		
1	£'000	£'000	£'000	£'000	£'000	Per cent.
2	4,412	4,993	4,907	4,908	85	1.7
	4,390	4,918	4,784	4,778	225	2.3
3	5,042 (a)	5,043	5,093	5,087	181	1.2
4	5,183	5,205	5,030	5,029	357	1.7
5	5,421	5,280	5,278	5,279	358	1.4
6	5,405	5,309	5,522	5,558	309	1.0
7	5,403	5,352	5,267	5,295	366	1.0
8	5,385	5,346	5,257	5,294	418	1.0
9	5,346 (b)	5,276	5,356 (c)	5,365 (c)	Increase on Budget after Fares Increase (not cumulative)	
10	5,214	5,233	5,484	5,499	266	2.8
11	5,206	5,192	5,407	5,403	211	5.1
12	5,085	5,112	5,389	5,371	259	4.6
13	4,800 (fog)	4,997	5,334	5,320	323	5.0
Total 13 Periods	66,292	67,456	68,108	68,186		6.1
Adjustments ...	372	219		235		
Total Calendar Year...	66,664	67,675	68,108	68,421		

## NOTES:

(a) Fares increase second week in Period 3, 1952.

(b) Fares decrease fourth week in Period 9, 1952.

(c) Fares increase end of first week in Period 9, 1953.

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[Continued]

**LONDON TRANSPORT EXECUTIVE**  
COMPARISON OF 1953 RECEIPTS WITH BTC "BUDGET" FOR THAT YEAR

LCC 211

	Budget	Actual	"Shortfall"	
33 weeks to August 16th ... ..	£'000 42,963	£'000 42,520	£'000 443	Per cent. 1·0
Less 3 days in 1952 ... ..	506			
Less August 16th ... ..	42,457 116			
	42,341			
19 weeks to December 27th ... ..	24,493	25,666		
Add 4 days to December 31st ... ..	682			
Add August 16th ... ..	116			
	25,291			
Total for year ... ..	67,632			
Add "Balance" (? Clearance)... ..	43			
	67,675			

If, in fact, 1953 and "Y" year had been overestimated by 1 per cent., the following is the computation for the period after Fares increases:—

Budget estimate 19 weeks to December 27th, 1953 ... ..	£'000 24,493	
Less 1 per cent. ... ..	245	
	24,248	
Actual receipts ... ..	25,666	
Due to fares increase ... ..	1,418	(5·8 per cent. increase)
Add for 4 days to December 31st ... ..	40	
August 16th ... ..	6	
	1,464	
BTC estimate of full annual net yield of 1953 Scheme fares increases ... ..	4,600	
Less 1 per cent. for basic overestimate for "Y" year ... ..	46	
	4,554	
Amount received on account in 1953 ... ..	1,464	
Additional amount to be brought into account in "Z" year over 1953 ... ..	3,090	

1. The first of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
2. The second of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
3. The third of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
4. The fourth of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
5. The fifth of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
6. The sixth of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
7. The seventh of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
8. The eighth of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
9. The ninth of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.
10. The tenth of these is the fact that the system is not a simple one, but a complex one, involving many different factors, and the results of the system are not always the same.